

Message Text

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TO SECSTATE WASHDC 5942

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E.O. 11652: N/A
TAGS: BEXP, BL
SUBJ: REQUEST FOR EXIMBANK FINANCING OF COTTON SPINNING PLANT

REF: STATE 136706

1. REPRESENTATIVES OF EXIMBANK (BOGDANOFF, EYNON, MAXWELL) AND COMATT MET WITH THE COMITE DE OBRAS PUBLICAS DE SANTA CRUZ JUNE 20 TO DISCUSS THE QUESTIONS RAISED IN REFTTEL.

2. TRAINING. WITH REGARD TO THE PROBLEM OF TRAINING CADRE TO OPERATE THE NEW PLANT, WE HAVE BEEN GIVEN A LIST OF POSITIONS FOR WHICH PLATT, THE PRINCIPAL VENDOR, AND THE ECGD ARE FUNDING TRAINING PROGRAMS. A COPY OF THIS IS BEING CARRIED TO WASHINGTON BY BOGDANOFF. IN GENERAL, TRAINING RANGING IN DURATION FROM FOUR TO SIX MONTHS WILL BE PROVIDED FOR FORTY-FIVE SENIOR AND MIDDLE LEVEL PERSONNEL, MOST OF WHOM WILL BE TRAINED OUTSIDE BOLIVIA, E.G., IN THE U.K., THE US AND CANADA. ANOTHER THIRTY PERSONS WILL RECEIVE 6 TO 8 WEEKS OF SPECIALIZED TRAINING IN U.S. (10), ARGENTINA (18), AND BRAZIL (2).
WE HAVE ALSO BEEN INFORMED THAT THE SENIOR MANAGEMENT OF THE PLANT WILL, BY AGREEMENT WITH THE COMITE, BE MADE UP OF PERSONNEL EXPERIENCED IN OPERATING SIMILAR PLANTS IN OTHER COUNTRIES. THESE IMPORTED MANAGERS ARE EXPECTED TO REMAIN FOR APPROXIMATELY THREE YEARS.

3. RAW MATERIALS. THE PLANT IS DESIGNED TO USE
UNCLASSIFIED

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PAGE 02 LA PAZ 04907 241434Z

APPROXIMATELY ONE-THIRD OF THE COTTON PRODUCED IN BOLIVIA. THE COMITE DOES NOT EXPECT FLUCTUATIONS IN THE VOLUME OF PRODUCTION TO INTERFERE WITH SUPPLIES OF RAW MATERIAL TO THE PLANT. PAGES 147 AND FOLLOWING OF THE FEASIBILITY STUDY SUPPLIED TO EXIMBANK DEAL WITH RAW MATERIAL SUPPLIES TO THE MILL.

4. MARKETS. THE COMITE BELIEVES THAT ITS PROJECTIONS OF DOMESTIC AND EXTERNAL SALES OF YARN PRODUCED BY THE PLANT ARE REASONABLE. ACCORDING TO STUDEIS DONE FOR THE COMITE (SEE PAGES 182 AND FOLLOWING OF THE FEASIBILITY STUDY), DOMESTIC CONSUMPTION WILL ULTIMATELY ABSORB THE TOTAL PRODUCTION OF THE PLANT. THIS CONCLUSION IS BASED, SAY COMITE REPRESENTATIVES, ON GOVERNMENT PLANS TO DEVELOP A TEXTILE INDUSTRY CAPABLE OF PRODUCING READY TO WEAR GOODS THAT WILL SUBSTITUTE FOR IMPORTS.

5. THE OBLIGOR FOR THIS CREDIT WOULD BE THE COMITE DE OBRAS PUBLICAS DE SANTA CRUZ. THE TRANSACTION WOULD BE GUARANTEED BY THE CENTRAL BANK OF BOLIVIA.

6. A COPY OF THE TERMS OF THE CREDITS EXTENDED BY ECGD FOR THIS PURCHASE IS BEING CARRIED TO EXIM BY BOGDANOFF. IN SUMMARY, THE TERMS PROVIDE FOR AN INTEREST RATE OF 7.5 PERCENT OVER EIGHT YEARS, NOT INCLUDING A TWO AND ONE-HALF YEAR GRACE PERIOD. FEES INCLUDE A ONE-HALF PER CENT CHARGE ON UNDISBURSED FUNDS, A .75 PERCENT FLAT FEE, AND A FEE OF .05 PERCENT FOR THE TOTAL AMOUNT OF THE LOAN. IN ADDITION, THE COMITE WILL MAKE A 1.5 PERCENT ONE TIME PAYMENT TO OBTAIN THE CENTRAL BANK GUARANTEE.

7. THE COMITE STRESSED TO US THE IMPORTANCE OF AN EARLY DECISION ON THIS LOAN. THE ECGD CREDIT ARRANGEMENT HAS BEEN SIGNED, AND THE COMITE FEARS THAT SUPPLIERS WILL PRESS
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PAGE 03 LA PAZ 04907 241434Z

FOR PRICE ADJUSTMENTS IF CONTRACTS FOR THE U.S. SUPPLIED PORTION OF THE PROJECT ARE NOT COMPLETED SOON.
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